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FUND MANAGER'S LETTER
JULY 3RD WEEK, 2023

Macroeconomics

Boosted by Weaker Dollar

US CPI and PPI data released last week brought relief as both are slowing and were lower than consensus expectations. US CPI was 3% yoy and US PPI was 0.1% yoy in June. The month on month number was 0.8% for CPI and 0.1% for PPI. Shelter categories slowed modestly (rent +0.46% mom and owners' equivalent rent +0.45% mom).

The downside surprise in US inflation brought pressure to the US Dollar. Dollar index declined -2.3% week on week with both EUR and JPY strengthening 2.4% against the dollar. Dollar index is currently near its 15-month low. Dollar weakness

has helped propel commodities, with Bloomberg Commodities Index rising 1.3% week on week. Markets pared back expectations for the ultimate terminal Fed rate back to 5.5% (another one 25 bps hike this month and then done for the year).

In China, headline CPI inflation fell to 0% yoy and PPI inflation dropped to -5.4% yoy. From trade data, exports declined 12.4% yoy and imports decreased 6.8% yoy. The set of weak data was completed by house prices, as NBS 70-city average property prices fell 2.2% mom annualized, and GDP which grew 6.3% yoy, below consensus expectations of 7.1%.

Equity Emerging Market Revival

The JCI increased 2.3% on the week ending July 14. Healthcare led the gains with a 6% advance wow, as the healthcare bill was approved. Technology followed with 4.3% advance. Property and energy followed with advances of 3.7% and 2.5%. Lagging sectors were infrastructure which declined -0.5% and consumer cyclicals which rose 0.05%.

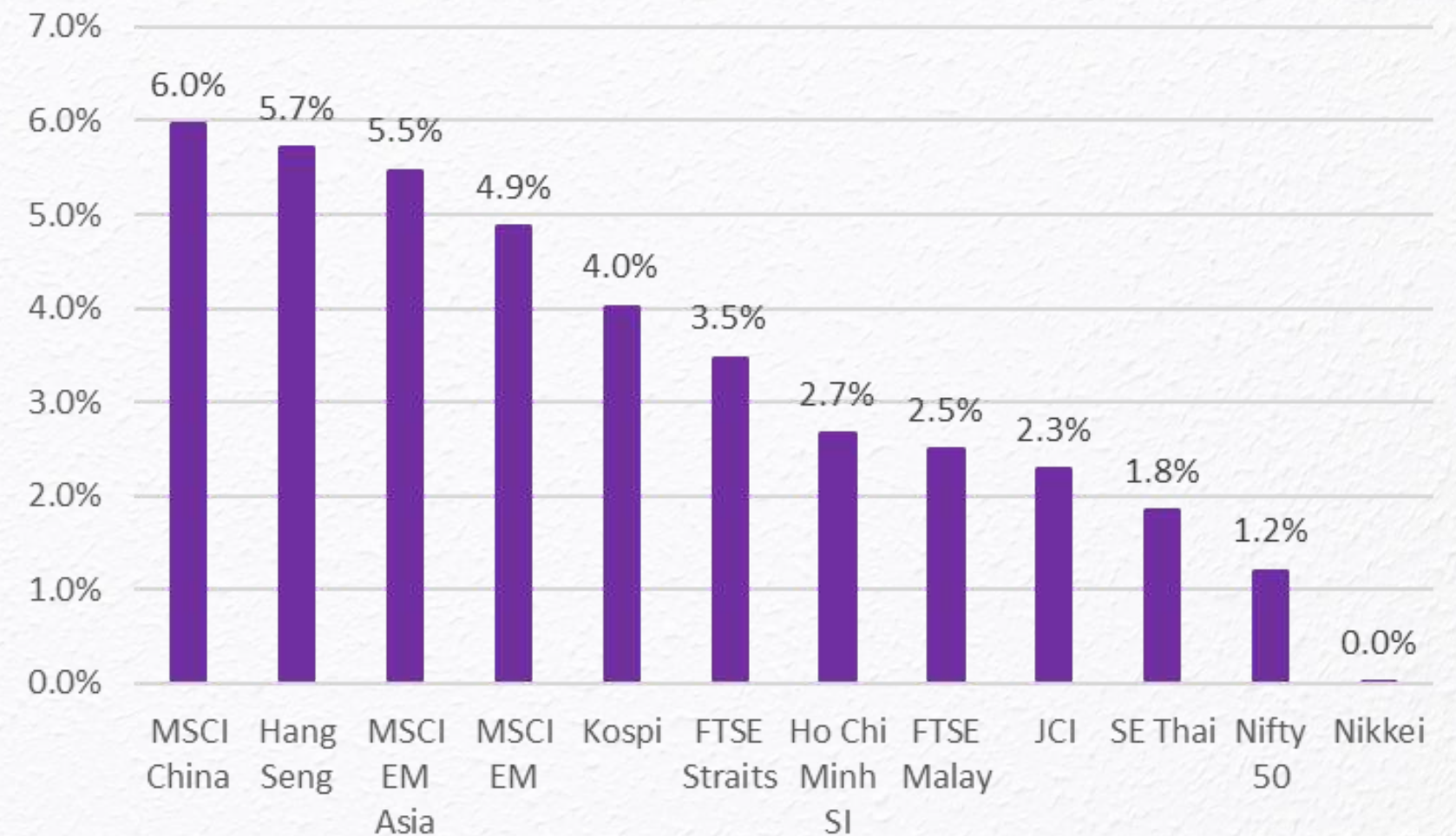
The advances in Indonesian stocks were inline with emerging market stocks which outperformed developed markets. MSCI EM increased 4.9% last week compared to MSCI World which increased 1.9%. MSCI China gained 6% as PBoC officials hinted at further demand-side easing of property



US Dollar Index | Source: Bloomberg

policies and potential reductions in RRR and interest rates.

MSCI EM is now traded at 12.4x 12-month forward PE, compared to MSCI World which trade at 17.4x PE. MSCI EM also has higher earnings growth expectations, at 18.7% in 2024 compared to 7.8% for MSCI World. Meanwhile JCI is traded at 13.5x 12-month forward PE, with 10% earnings growth expected in 2024.



Selected EM Asia Stock Indices Return Week of 14 July 23 | Source: Bloomberg

Fixed Income Inflation Relief

Global bond market turned in a positive mode after the US CPI came slower than estimated and bring the headline down to 3% YoY from 4% in May, marking a 12th consecutive month of falls and the lowest reading since March 2021. The slowdown in inflationary pressure is mainly due to the high base effect from last year and impacted by lower energy prices (-16.7%) and some of other CPI baskets including used car (-5.2%) and medical services (-0.8%). These bring UST yields down where the 10-year moved back to around 3.8% after touching almost 4.1% last week.

Inline with global sentiment improvement, in

general, Indonesia local government bond composite yields went down by around 2 to 4 bps compared to a week earlier. Based on IBPA, the 10-year benchmark series closed at 105.92 equivalent to YTM 6.17% compared to 6.23% on 7 July 2023.

Based on the latest flow data on 13 July 2023, onshore investors, specifically banks reported the biggest buyer this month of around IDR 17.8 tn, followed by insurance and pension funds IDR 17.5 tn, and others institutional domestic IDR 6.5 tn. Meanwhile, BI continues to reduce its position by IDR 9.8 tn. In the other hand, foreigners reported net sell of IDR 3.5 tn this month, but YTD remain in net

buy of IDR 81.2 tn or 15.4% of total outstanding.



US CPI YoY | Source: Bloomberg



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